

Pork

World pork production is projected to increase at a slower rate than in previous decades, as a consequence of lower prices brought about by lower consumer income, binding environmental constraints, and competitively priced meats that substitute for pork. World pork production is expected to increase at an annual rate of 2.2 percent during 1999-2008. China is expected to be the primary growth area for pork production, with more modest increases projected in the United States, Canada, and the EU-15.

Pork consumption is projected to moderate in developed economies, including the United States, Canada, the EU-15, and Japan, due to modest income gains and competitively priced pork substitutes. Slower demand growth in developed countries is expected to be partially offset by stronger demand growth in Asia and Latin America. Consumption growth in China is expected to average 2.8 percent annually. Pork demand is also expected to grow significantly in Mexico, and Brazil, aided by economic growth, lower inflation, and higher disposable incomes.

World pork trade is projected to continue to expand, induced by rising demand in developing areas, including Mexico and Hong Kong. Declining domestic production will drive imports in both Japan and Hong Kong. The United States is projected to continue an expanded export role over the next decade, increasing exports by almost 5 percent per year between 1999 and 2008. Factors contributing to robust U.S. growth include competitive exchange rates, and an increasingly export-oriented pork production industry. The five largest exporters (the United States, Canada, China, the EU-15, Central and Eastern Europe) account for 87 percent of world pork exports.

Highlights for Major Importers

Changes in world pork imports will be driven primarily by growth in Mexico, and non-competitive domestic production in Japan and Hong Kong. Early in the projection period, Russia is expected to be a source of variance in the world market.

Japan. Japan's domestic pork supply is projected to fall as domestic producers lose competitiveness against imports, while demand grows more slowly than in the last decade. However, the steady annual demand growth of 2 percent per year for the world's high-priced importing markets, provides stability and strength to world meat markets in the projection period. Indeed, imports may represent almost half of total Japanese pork consumption by 2008.

Former Soviet Union. In the FSU, an underdeveloped private livestock sector was unable to meet consumer demand in the 1990s, leading to increased imports. The collapse of the Ruble in mid-1998 leads to a decline in import demand for pork early in the projection period, with recovery beginning in 2002. The FSU exhibits stable import demand as the projection period ends.

Hong Kong. Hong Kong imports more than half of its pork consumption. Imports will account for a larger share of consumption as production in Hong Kong becomes less competitive with pork from other parts of China, and imports from third countries.

European Union. EU-15 pork imports from third-country exporters are expected to grow under the Uruguay Round Agreement, which mandates access to the EU-15 market. The agreement mandates EU-15 imports of 75,000 tons of pork and pork products by 2001. Imports are assumed to remain at that level through the remainder of the projection period.

Mexico. Mexico's pork imports are expected to increase significantly over the projection period, as the Mexican economy recovers from capital outflows and peso depreciation in 1994. Over the 1999-2008 projection period, pork imports increase 9 percent per year on average. Most imports will likely be of U.S. origin.

South Korea. South Korea demand for pork rebounds as the Korean economic growth recovers in the projection period. Pork imports increase 4 percent annually, consistent with the moderate growth in the domestic pork production industry.

Canada. Canada's pork imports are projected to increase by slightly more than 1 percent per year over the projection period, while per capita consumption trends slowly downward. Production is projected to increase over the period, as the Canadian pork production industry restructures and becomes more export-oriented. Most Canadian imports likely will be of U.S. origin. Competitive pressure from U.S. markets is expected to dampen the increases in Canadian pork prices.

United States. U.S. pork imports are expected to decline by almost 1 percent per year between 1999 and 2008. Over the projection period, a restructured domestic pork industry producing low-cost pork products will, increasingly, price imported pork out of the domestic market.

Highlights for Major Exporters

Lower income growth projections, and binding environmental constraints moderate expectations of pork export growth over the projection period. The restructuring of the U.S. pork production industry will continue, with returns to scale realized in the form of larger exportable surpluses of pork. Consequently, U.S. pork exports show increases of almost 5 percent in each year of the projection period. Taiwan is expected to re-enter the world market gradually, beginning in 2003, following eradication of FMD in the Taiwanese hog herd. Unsubsidized pork exports from the EU-15 are expected to rise over the projection period as production methods improve and feed costs decline. Costly animal welfare restrictions and environmental constraints moderate European gains in world market share.

United States. U.S. pork exports are projected to expand by almost 5 percent annually between

1998 and 2007. The primary U.S. growth markets will likely be Mexico and Asia.

European Union. EU-15 exports of pork and poultry are determined based on the EU's Uruguay Round commitments for subsidized exports and the estimated capacity for unsubsidized exports. By 2000/01, the EU must limit subsidized exports of pork to 388,000 tons, down about 50 percent from export levels of the early 1990s. This limit is assumed to remain in effect through the end of the baseline period. Efficient production methods and lower feed costs will enable some producers to export unsubsidized pork and poultry, hence the EU is expected to export above the Uruguay Round export subsidy constraint. Animal welfare measures and environmental regulations are expected to limit production of both pork and poultry toward the end of the decade.

Canada. Canadian pork exports are expected to increase by 1 percent per year, on average, over the projection period. Although the United States will remain Canada's major market for pork exports, the Asian market will likely increase in importance.

Central and Eastern Europe. CEE pork exports are forecast to exhibit some variation around an average of 465,000 tons over the projection period. The bulk of CEE pork exports are expected to be to the FSU and the EU. Progress in economic reform and sustained economic recovery in Eastern Europe will be a major determinant of the region's competitiveness in EU-15 and FSU pork markets. The actual rate of reform and recovery is difficult to project and constitutes a key uncertainty in the trade outlook. Slower movement toward market liberalization, or slower economic recovery, could reduce exports below projections.

China. A traditional supplier of pork to Hong Kong and the FSU, China is expected to show export growth of almost 2 percent per year. This is, however, almost 1 percentage point less than the growth rate for domestic production. Several factors will account for the relatively slow growth in China's exports. First, domestic demand is expected to increase as incomes increase and consumer preferences shift to meat products. Second, China is FMD endemic and cannot ship pork products to Japan or Korea. Much of what China exports to markets other than Hong Kong tends to be lower quality/canned product and would not compete well in the major growth markets.